



**United Bank Limited**  
*CONSOLIDATED FINANCIAL STATEMENTS*  
*FOR THE HALF YEAR ENDED JUNE 30, 2009*  
*(UNAUDITED)*

**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET  
AS AT JUNE 30, 2009**

	(Un audited)	(Audited)
Note	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	56,159,987	50,143,570
Balances with other banks	24,202,615	14,540,306
Lendings to financial institutions	27,938,191	22,805,341
Investments	7 127,615,191	115,057,090
Advances	8 378,810,010	378,293,973
Operating fixed assets	20,228,775	19,926,915
Deferred tax asset - net	857,782	2,164,148
Other assets	18,322,407	17,309,187
	<b>654,134,958</b>	<b>620,240,530</b>
<b>LIABILITIES</b>		
Bills payable	5,074,451	5,210,870
Borrowings from financial institutions	9 42,032,010	44,749,690
Deposits and other accounts	10 521,163,393	492,267,898
Sub-ordinated loans	11,991,824	11,993,848
Liabilities against assets subject to finance lease	1,150	1,978
Other liabilities	15,615,579	16,620,583
	<b>595,878,407</b>	<b>570,844,867</b>
<b>NET ASSETS</b>	<b>58,256,551</b>	<b>49,395,663</b>
<b>REPRESENTED BY</b>		
Share capital	11,128,907	10,117,188
Reserves	18,925,266	17,256,061
Unappropriated profit	19,540,004	17,703,327
	49,594,177	45,076,576
Minority interest	2,419,475	2,044,589
	52,013,652	47,121,165
Surplus on revaluation of assets - net of deferred tax	6,242,899	2,274,498
	<b>58,256,551</b>	<b>49,395,663</b>

**CONTINGENCIES AND COMMITMENTS**

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The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

The valuation of listed equity securities / mutual funds held under 'available-for-sale' category of investments has been arrived at using the market prices quoted on the stock exchange / net assets value as of June 30, 2009 and a portion of impairment loss arising therefrom has been included in deficit on revaluation of assets – net of deferred tax as allowed by State Bank of Pakistan. Under the regular accounting policy of the bank, the same would have resulted in a charge to profit and loss account of Rs 383.160 million (net of tax) and, consequently, the unappropriated profit for the year would have been Rs19,233.476 million and surplus on revaluation of assets - net of deferred tax would have been lower by Rs 383.160 million.

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2009**

	Note	Apr-Jun 2009	Apr-Jun 2008	Jan-Jun 2009	Jan-Jun 2008
----- (Rupees in '000) -----					
Mark-up / return / interest earned	12	15,663,338	12,225,374	32,122,658	23,598,947
Mark-up / return / interest expensed	13	(7,779,870)	(5,239,302)	(16,062,836)	(10,053,241)
Net mark-up / interest income		7,883,468	6,986,072	16,059,822	13,545,706
Provision for non-performing loans and advances		(3,640,080)	(1,063,444)	(5,306,560)	(1,950,038)
General provision against consumer loans		(138,668)	63,907	(71,451)	87,729
Provision for diminution in value of investment		(44,140)	-	(334,200)	-
Bad debts written off directly		(365,631)	(346,459)	(700,291)	(677,366)
		(4,188,519)	(1,345,996)	(6,412,502)	(2,539,675)
Net mark-up / interest income after provisions		3,694,949	5,640,076	9,647,320	11,006,031
<b>Non mark-up / return / interest income</b>					
Fee, commission and brokerage income		1,703,175	1,869,704	3,079,668	3,562,427
Dividend income		236,426	223,411	271,542	251,289
Gain on sale of securities		(16,194)	58,157	115,645	308,776
Unrealised gain / (loss) on revaluation of trading securities		(22,673)	3,909	(681)	(1,202)
Income from dealing in foreign currencies		223,264	494,105	560,116	754,975
Other income	14	1,804,869	715,807	2,233,501	1,729,508
Total non-markup/interest Income		3,928,867	3,365,093	6,259,791	6,605,773
		7,623,816	9,005,169	15,907,111	17,611,804
<b>Non mark-up / interest expenses</b>					
Administrative expenses	15	(4,459,400)	(4,030,066)	(8,658,866)	(7,795,501)
Other provisions / write offs		(186,276)	(137,827)	(183,306)	(194,526)
Worker welfare fund		(86,727)	(202,673)	(169,345)	(202,673)
Other charges		(348)	(3,121)	(1,168)	(182,272)
Total non-markup / interest expenses		(4,732,751)	(4,373,687)	(9,012,685)	(8,374,972)
		2,891,065	4,631,482	6,894,426	9,236,832
Share of income from associates		32,403	(148,709)	212,318	(26,859)
<b>Profit before taxation</b>		<b>2,923,468</b>	<b>4,482,773</b>	<b>7,106,744</b>	<b>9,209,973</b>
<b>Taxation</b>					
Current / prior		(1,430,836)	(1,873,561)	(3,052,500)	(3,736,453)
Deferred		340,598	88,500	543,528	382,328
		(1,090,238)	(1,785,061)	(2,508,972)	(3,354,125)
<b>Profit after taxation</b>	16	<b>1,833,230</b>	<b>2,697,712</b>	<b>4,597,772</b>	<b>5,855,848</b>
Share of minority interest		1,223	(29,830)	(6,761)	(57,832)
<b>Profit attributable to Shareholders of the Bank</b>		<b>1,834,453</b>	<b>2,667,882</b>	<b>4,591,011</b>	<b>5,798,016</b>
Unappropriated profit brought forward		20,050,017	14,907,201	17,703,327	16,728,318
		21,884,470	17,575,083	22,294,338	22,526,334
Transferred from surplus on revaluation of fixed assets-net of tax		29,300	80,420	126,614	160,840
Profit before appropriations		21,913,770	17,655,503	22,420,952	22,687,174
<b>Appropriations</b>					
Transfer to statutory reserve		(350,328)	(538,594)	(857,510)	(1,118,702)
Final cash dividend for the year ended December 31, 2008 and December 31, 2007 declared subsequent to the year end		(1,011,719)	-	(1,011,719)	(2,428,125)
Transfer to reserve for issue of bonus shares		(1,011,719)	-	(1,011,719)	(2,023,438)
		(2,373,766)	(538,594)	(2,880,948)	(5,570,265)
<b>Unappropriated profit carried forward</b>		<b>19,540,004</b>	<b>17,116,909</b>	<b>19,540,004</b>	<b>17,116,909</b>
----- (Rupees) -----					
<b>Basic and diluted earnings per share</b>		<b>1.65</b>	<b>2.40</b>	<b>4.13</b>	<b>5.21</b>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

The valuation of listed equity securities / mutual funds held under 'available-for-sale' category of investments has been arrived at using the market prices quoted on the stock exchange / net assets value as of June 30, 2009 and a portion of impairment loss arising there from has been included in surplus on revaluation of assets – net of deferred tax as allowed by State Bank of Pakistan. Under the regular accounting policy of the bank, the same would have resulted in a charge to profit and loss account of Rs.589.477 million and, consequently, the profit after tax for the half year would have been Rs4,214.612 million and earnings per share would have been Rs.3.79

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2009**

	Half Year Ended June 30, 2009	Half Year Ended June 30, 2008
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	7,106,744	9,209,971
Income from associates	(212,318)	26,859
Dividend income	(271,542)	(251,289)
	<u>6,622,884</u>	<u>8,985,541</u>
<b>Adjustments for non-cash charges</b>		
Depreciation	828,857	739,204
Worker welfare fund	169,345	202,673
Provision for retirement benefits	159,851	(37,524)
Provision against non-performing advances	5,378,011	1,862,309
Provision for diminution in the value of investments	334,200	-
(Gain) / loss on sale of fixed assets	(5,970)	(1,267)
Finance charges on leased assets	83	143
Provision / (reversal of provision) against other assets	(15,400)	194,526
Unrealized deficit on revaluation of investment classified as held for trading	681	1,202
Bad debts written off	700,291	677,366
	<u>7,549,949</u>	<u>3,638,632</u>
	14,172,833	12,624,173
<b>(Increase)/ decrease in operating assets</b>		
Lendings to financial institutions	(5,132,850)	8,257,414
Held-for-trading securities	1,248,959	(836,925)
Advances	(6,594,339)	(32,942,606)
Others assets	2,209,738	(1,158,884)
	<u>(8,268,492)</u>	<u>(26,681,001)</u>
<b>Increase/ (decrease) in operating liabilities</b>		
Bills payable	(136,419)	(975,833)
Borrowings from financial institutions	(2,717,680)	(25,297,271)
Deposits	28,895,495	62,249,836
Other liabilities	275,697	(108,750)
	<u>26,317,093</u>	<u>35,867,982</u>
	32,221,434	21,811,154
Received from retirement benefits	(311,094)	155,488
Income tax paid	(6,875,262)	(2,200,854)
<b>Net cash flow from operating activities</b>	<u>25,035,078</u>	<u>19,765,788</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	(8,928,554)	315,622
Dividend income	249,486	327,662
Investments in operating fixed assets	(871,284)	(1,490,082)
Sale proceeds of property and equipment disposed off	48,242	30,218
<b>Net cash flow from investing activities</b>	<u>(9,502,110)</u>	<u>(816,580)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
(Payments) / receipts of sub-ordinated loan	(2,024)	5,999,176
Payments of lease obligations	(828)	(687)
Dividend paid	(1,011,719)	(2,428,125)
<b>Net cash flow from financing activities</b>	<u>(1,014,571)</u>	<u>3,570,364</u>
<b>Net cash flow</b>	<u>14,518,398</u>	<u>22,519,572</u>
Exchange difference on transaction of net investment in foreign branches and subsidiaries & minority	792,203	1,929,261
Exchange difference on transaction of net assets attributable to minority interest	368,125	316,757
<b>Increase/(decrease) in cash and cash equivalents</b>	15,678,726	24,765,590
Cash and cash equivalents at beginning of the period	64,683,876	68,604,536
<b>Cash and cash equivalents at end of the period</b>	<u>80,362,602</u>	<u>93,370,126</u>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2009**

	Share capital	Capital Reserves				Cash flow hedge reserve	Unappropriated Profit	Minority Interest	Total
		General Reserve	Statutory Reserve	Exchange Reserve	Reserve for issue of Bonus share				
	(Rupees in '000)								
<b>Balance on January 1, 2008</b>	8,093,750	3,000	8,716,409	2,857,933	-	16,728,318	2,115,644	38,515,054	
Final cash dividend for the year ended December 31, 2007 declared subsequent to year end at Rs 3 per share	-	-	-	-	-	(2,428,125)	-	(2,428,125)	
Transfer to reserve for issue of bonus shares	-	-	-	-	2,023,438	(2,023,438)	-	-	
Issue of bonus shares	2,023,438	-	-	-	(2,023,438)	-	-	-	
Profit after taxation for the half year ended June 30, 2008	-	-	-	-	-	5,798,016	(57,832)	5,740,184	
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	160,840	-	160,840	
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	1,929,261	-	-	403,905	2,333,166	
Transfer to statutory reserves	-	-	1,118,702	-	-	(1,118,702)	-	-	
<b>Balance as at June 30, 2008</b>	10,117,188	3,000	9,835,111	4,787,194	-	17,116,909	2,461,717	44,321,119	
Interim cash dividend for the half year ended June 30, 2008 declared subsequent to period end at Rs. 1.5 per share	-	-	-	-	-	(1,517,578)	-	(1,517,578)	
Profit after taxation for the half year ended December 31, 2008	-	-	-	-	-	2,557,741	147,326	2,705,067	
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	94,177	-	94,177	
Net loss on cash flow hedges - net of deferred tax	-	-	-	-	-	(276,633)	-	(276,633)	
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	2,359,467	-	-	(509,230)	1,850,237	
Preferred dividend relating to minority shareholders	-	-	-	-	-	-	(55,224)	(55,224)	
Transfer to statutory reserve	-	-	547,922	-	-	(547,922)	-	-	
<b>Balance as at December 31, 2008</b>	10,117,188	3,000	10,383,033	7,146,661	-	(276,633)	2,044,589	47,121,165	
Final cash dividend for the year ended December 31, 2008 declared subsequent to year end at Re. 1.0 per share	-	-	-	-	-	(1,011,719)	-	(1,011,719)	
Transfer to reserve for issue of bonus shares	-	-	-	-	1,011,719	(1,011,719)	-	-	
Issue of bonus shares	1,011,719	-	-	-	(1,011,719)	-	-	-	
Profit after taxation for the half year ended June 30, 2009	-	-	-	-	-	4,591,011	6,761	4,597,772	
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	126,614	-	126,614	
Reversal of loss on cash flow hedges - net of deferred tax	-	-	-	-	-	19,492	-	19,492	
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	792,203	-	-	368,125	1,160,328	
Transfer to statutory reserves	-	-	857,510	-	-	(857,510)	-	-	
<b>Balance as at June 30, 2009</b>	11,128,907	3,000	11,240,543	7,938,864	-	(257,141)	2,419,475	52,013,652	

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Atif R. Bokhari  
President &  
Chief Executive Officer

Dr. Ashfaqe Hasan Khan  
Director

Omar Z. Al Askari  
Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2009****1. STATUS AND NATURE OF BUSINESS**

The Group consists of:

**Holding Company**

United Bank Limited (The Bank)

**Subsidiary Companies**

United National Bank Limited

United Bank AG (Zurich),

United Executors and Trustees

UBL Fund Managers Limited

The Group is engaged in commercial banking, modaraba management, asset management, mutual funds and trustee services. The Bank is listed on all three Stock Exchanges in Pakistan and in London Stock Exchange. The Bank's registered office and principal office is situated in State Life Building No. 1, I. I. Chundirgar Road Karachi. The Bank operates 1,118 (2008: 1,119) branches inside including the Karachi Export Processing Zone Branch (KEPZ) and 17 (December 31, 2008:17) branches outside Pakistan as at June 30, 2009. The domestic branch network also includes 5(2008: 5) Islamic banking branches.

The minority interest represents National Bank of Pakistan's 45% share in the net asset value of UNBL.

**2. BASIS OF PRESENTATION**

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

**3. STATEMENT OF COMPLIANCE**

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence. The disclosures in these accounts have, however, been limited based on the requirements of International Accounting Standard 34, Interim Financial Reporting.

The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

- IAS 1 – Presentation of Financial Statements (Revised)
- IAS 23 – Borrowing Costs (Revised)
- IAS 32 - Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments
- IFRS 2 – Share-Based Payment – Vesting Conditions and Cancellations
- IFRS 4 – Insurance Contracts
- IFRS 8 – Operating Segments
- IFRIC 13 – Customer Loyalty Programs
- IFRIC 15 – Agreements for the Construction of Real Estate

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2009**

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Company as disclosed in the annual financial statement for the year ended 31 December 2008. However, the revised IAS 1 was issued in September 2007 with subsequent amendments in November 2008 and was effective for financial years beginning on or after 1 January 2009. Since the bank is required to follow the format of half-yearly financial statements as prescribed by the SBP through the BSD Circular Letter No. 2 of 2004, therefore the newly introduced statements of comprehensive income presenting all items recognized in income and expense introduced through IAS 1 (revised) have not been taken into consideration in the preparation of these half-yearly financial statements.

**4. ESTIMATES**

The preparation of interim financial statements requires management to make judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to financial statements for the year ended December 31, 2008.

**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2008.

**6. FINANCIAL RISK MANAGEMENT**

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the bank for the year ended December 31, 2008.

**7. INVESTMENTS**

7.1	Note	June 30, 2009			December 31, 2008		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in '000-----							
		3,399,294	-	3,399,294	4,648,253	-	4,648,253
		86,007,994	7,703,741	93,711,735	81,835,468	14,269,456	96,104,924
		32,647,686	-	32,647,686	23,379,195	-	23,379,195
		4,959,083	-	4,959,083	2,905,831	-	2,905,831
		<u>127,014,057</u>	<u>7,703,741</u>	<u>134,717,798</u>	<u>112,768,747</u>	<u>14,269,456</u>	<u>127,038,203</u>
		(2,894,575)	-	(2,894,575)	(2,188,792)	-	(2,188,792)
		<u>124,119,482</u>	<u>7,703,741</u>	<u>131,823,223</u>	<u>110,579,955</u>	<u>14,269,456</u>	<u>124,849,411</u>
		(4,174,880)	(32,471)	(4,207,351)	(9,671,911)	(109,728)	(9,781,639)
		(681)	-	(681)	(10,682)	-	(10,682)
		<u>119,943,921</u>	<u>7,671,270</u>	<u>127,615,191</u>	<u>100,897,362</u>	<u>14,159,728</u>	<u>115,057,090</u>

## NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2009

7.2 Investments by types	Note	June 30, 2009			December 31, 2008		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
------(Rupees in '000)-----							
<b>7.2.1 Held-for-trading securities</b>							
Market treasury bills		3,262,144	-	3,262,144	4,202,368	-	4,202,368
Ordinary shares of listed companies		137,150	-	137,150	348,506	-	348,506
Sukuk bonds		-	-	-	81,450	-	81,450
Pakistan Investment Bonds		-	-	-	15,929	-	15,929
		3,399,294	-	3,399,294	4,648,253	-	4,648,253
<b>7.2.2 Available for sale securities</b>							
Market treasury bills		40,018,442	7,271,412	47,289,854	33,775,219	13,841,226	47,616,445
Pakistan Investment Bonds		16,340,508	432,329	16,772,837	16,777,690	428,230	17,205,920
Foreign currency bonds		14,096,877	-	14,096,877	15,272,429	-	15,272,429
Ordinary shares of listed companies		5,685,439	-	5,685,439	5,886,059	-	5,886,059
Euro Bonds		2,378,651	-	2,378,651	4,341,320	-	4,341,320
Government of Pakistan Islamic Bonds		4,842,560	-	4,842,560	2,493,607	-	2,493,607
Term Finance Certificates		2,012,702	-	2,012,702	2,172,450	-	2,172,450
Ordinary shares of unlisted companies		441,516	-	441,516	441,715	-	441,715
Sukuk bonds		-	-	-	455,276	-	455,276
Units of mutual funds		191,299	-	191,299	211,583	-	211,583
Cumulative preference shares		-	-	-	8,120	-	8,120
		86,007,994	7,703,741	93,711,735	81,835,468	14,269,456	96,104,924
<b>7.2.3 Held to maturity securities</b>							
Term finance certificates		16,117,232	-	16,117,232	4,915,803	-	4,915,803
Pakistan Investment Bonds		2,515,509	-	2,515,509	4,339,104	-	4,339,104
Certificate of deposits		-	-	-	4,091,750	-	4,091,750
CIRC bonds		2,900,000	-	2,900,000	2,900,000	-	2,900,000
Foreign securities		1,968,062	-	1,968,062	2,105,582	-	2,105,582
Government of Pakistan - Guaranteed bonds		1,648,269	-	1,648,269	1,485,444	-	1,485,444
Market treasury bills		5,439,639	-	5,439,639	1,263,178	-	1,263,178
Sukuk bonds		1,097,747	-	1,097,747	1,094,372	-	1,094,372
Foreign currency bonds		924,758	-	924,758	1,138,686	-	1,138,686
Participation Term Certificates		29,811	-	29,811	38,205	-	38,205
Debentures		6,252	-	6,252	6,676	-	6,676
CDC SAARC Fund		407	-	407	395	-	395
		32,647,686	-	32,647,686	23,379,195	-	23,379,195
<b>7.2.4 Investments in Associates</b>							
United Money Market Fund		-	-	-	1,450,300	-	1,450,300
United Growth and Income Fund		3,089,629	-	3,089,629	327,193	-	327,193
United Composite Islamic Fund		588,997	-	588,997	338,024	-	338,024
United Liquidity Preference Fund		201,192	-	201,192	-	-	-
United Islamic Income Fund		328,633	-	328,633	308,700	-	308,700
United Stock Advantage Fund		368,516	-	368,516	142,766	-	142,766
UBL Participation Protected Plan		212,966	-	212,966	75,500	-	75,500
UBL Insurers Limited		81,543	-	81,543	138,887	-	138,887
United Capital Protected Fund - 1		80,626	-	80,626	52,154	-	52,154
Oman United Exchange Company, Muscat		6,981	-	6,981	72,307	-	72,307
		4,959,083	-	4,959,083	2,905,831	-	2,905,831
		127,014,057	7,703,741	134,717,798	112,768,747	14,269,456	127,038,203
Provision for diminution in value of investments		(2,894,575)	-	(2,894,575)	(2,188,792)	-	(2,188,792)
		124,119,482	7,703,741	131,823,223	110,579,955	14,269,456	124,849,411
Surplus / (deficit) on revaluation of available for sale investments		(4,174,880)	(32,471)	(4,207,351)	(9,671,911)	(109,728)	(9,781,639)
Surplus / (Deficit) on revaluation of held for trading investments		(681)	-	(681)	(10,682)	-	(10,682)
Investments (net of provisions)		119,943,921	7,671,270	127,615,191	100,897,362	14,159,728	115,057,090



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8. ADVANCES	Note	June 30, 2009 ------(Rupees in '000)-----	December 31, 2008
Loans, cash credits, running finances, etc.			
In Pakistan		286,914,611	278,513,709
Outside Pakistan		96,566,370	101,625,637
		<u>383,480,981</u>	<u>380,139,346</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		14,331,761	12,401,963
Payable outside Pakistan		6,144,957	5,221,564
		<u>20,476,718</u>	<u>17,623,527</u>
		403,957,699	397,762,873
Finance in respect of continuous funding system (CFS)		-	322,180
		<u>403,957,699</u>	<u>398,085,053</u>
Provision for non-performing advances			
- Specific	8.1	(23,802,922)	(18,567,383)
- General	8.2	(1,344,767)	(1,223,697)
		<u>378,810,010</u>	<u>378,293,973</u>

8.1 Advances include Rs 35,681 million (December 31, 2008: Rs 28,901 million) which have been placed under non-performing status as detailed below:-

Category of classification	June 30, 2009				
	Domestic	Overseas	Total	Provision Required	Provision Held
	-----Rupees in '000-----				
Other Assets Especially Mentioned	511,678	-	511,678	-	-
Substandard	5,517,629	95,873	5,613,502	1,303,951	1,303,951
Doubtful	6,862,009	1,451,643	8,313,652	2,805,294	2,805,294
Loss	19,654,520	2,680,756	22,335,276	19,693,677	19,693,677
	<u>32,545,836</u>	<u>4,228,272</u>	<u>36,774,108</u>	<u>23,802,922</u>	<u>23,802,922</u>

Category of classification	December 31, 2008				
	Domestic	Overseas	Total	Provision Required	Provision Held
	-----Rupees in '000-----				
Other Assets Especially Mentioned	562,548	348,605	911,153	-	-
Substandard	4,857,390	616,407	5,473,797	926,042	926,042
Doubtful	6,308,575	308,796	6,617,371	2,369,509	2,369,509
Loss	13,557,179	2,341,829	15,899,008	15,271,832	15,271,832
	<u>25,285,692</u>	<u>3,615,637</u>	<u>28,901,329</u>	<u>18,567,383</u>	<u>18,567,383</u>

8.2 General provision represents provision amounting to Rs 1,043.390 million (December 31, 2008: Rs 1,082.499 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs 301.377 million (December 31, 2008: Rs 141.207 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulating authorities of the respective country in which the overseas branches operate.

9. BORROWINGS FROM FINANCIAL INSTITUTIONS	June 30, 2009 ------(Rupees in '000)-----	December 31, 2008
<b>Secured</b>		
Borrowings from financial institutions	-	-
Borrowings from State Bank of Pakistan		
- Under export refinance scheme	13,800,351	12,804,867
- Long term finance under export oriented projects	4,503,303	4,280,169
- Locally manufactured machinery	6	544
	<u>18,303,660</u>	<u>17,085,580</u>
Repurchase agreement borrowings	7,836,376	14,284,138
<b>Unsecured</b>		
Borrowings from other central banks	-	-
Call borrowings	12,734,106	10,200,693
Overdrawn nostro accounts	2,377,286	2,116,282
Trading account liability	780,582	1,062,997
	<u>15,891,974</u>	<u>13,379,972</u>
	<u>42,032,010</u>	<u>44,749,690</u>



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Jan-Jun 2009    Jan-Jun 2008  
------(Rupees in '000)-----

**12. MARK-UP / RETURN / INTEREST EARNED**

On loans and advances		
- Customers	23,995,857	17,776,501
- Financial institutions	362,408	440,625
	<u>24,358,265</u>	<u>18,217,126</u>
On investments in		
- Securities	6,920,191	4,376,344
- Associates	10,925	-
	<u>6,931,116</u>	<u>4,376,344</u>
On deposits with financial institutions	260,518	231,941
On securities purchased under resale agreements	505,958	711,522
Discount income	66,802	62,015
	<u>32,122,659</u>	<u>23,598,948</u>

**13. MARK-UP / RETURN / INTEREST EXPENSED**

On deposits	12,731,417	7,385,139
On securities sold under repurchase agreements	1,052,545	1,239,423
On other short - term borrowings	1,268,739	715,318
On other long - term borrowings	768,211	612,177
Discount expense	241,924	101,184
	<u>16,062,836</u>	<u>10,053,241</u>

14. During the current period, the management of the bank revoked the designation of the interest rate swap as a hedging instrument in respect of a cash flow hedge recorded in the previous period. As a result, the net loss on the cash flow hedge previously recognized in equity will separately remain in equity until the forecast transaction occurs or is no longer expected to occur. Accordingly, during the current period, a sum of Rs 19.492 million has been reclassified from equity to profit and loss account as a reclassification adjustment against income from dealing in derivatives under 'other income.'

**15. ADMINISTRATIVE EXPENSES**

Salaries, allowances etc.	4,069,941	3,752,225
Outsourced service charges including sales commission	663,465	815,571
Contribution to retirement plan	89,227	(101,267)
Charge for compensated absences	70,624	63,743
Rent, taxes, insurance, electricity etc.	963,783	786,796
Communications	373,669	322,095
Advertisement and publicity	83,328	137,386
Depreciation	828,857	739,204
Stationery and printing	155,238	138,106
Banking service charge	248,081	206,784
Legal and professional charges	108,645	116,417
Cash transportation charges	205,168	101,197
Travelling	87,298	74,245
Repairs and maintenance	177,841	129,950
Donations	33,567	2,327
Insurance expenses	44,558	46,180
Vehicle expenses	48,883	52,723
Office running expenses	69,410	50,535
Entertainment	46,137	44,139
Cartage, freight and conveyance	34,937	31,526
Training and seminar	24,550	28,472
Auditors' remuneration	30,005	24,452
Subscriptions	19,533	18,656
Brokerage expenses	11,824	12,350
Finance charges on lease	4,003	143
Miscellaneous expenses	166,293	201,546
	<u>8,658,866</u>	<u>7,795,501</u>

**16. TAXATION**

- 16.1 The Income Tax assessments of the Bank for domestic branches up to tax year 2008 (financial year ended December 31, 2007) were filed under the provisions of Section 114 of the Income Tax Ordinance, 2001 (Ordinance) and are deemed to be assessed under section 120 of the Ordinance, unless amended by the Commissioner of Income Tax.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
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- 16.2 For tax year 2008 (financial year ended December 31, 2007) the taxation authorities have issued an amended assessment order under section 122(5A) of the Ordinance determining additional tax liability of Rs. 1,609 million. The Bank has filed an appeal before the Commissioner of Income Tax (Appeals) [CIT (A)] against the said additional liability, for which hearing is still pending. The management is confident that the appeals will be decided in the favour of the Bank.
- 16.3 For tax years 2004 to 2007 (financial year ended December 31, 2003 to 2006) the taxation authorities have issued amended assessment orders under section 122(5A) of the Ordinance, which were further rectified under section 221 of the Ordinance determining additional tax liability of Rs.3,564 million. Appeals filed by the Bank before the CIT (A) against these amended assessments have been decided, by allowing relief on certain issues. However, for remaining issues appeals have been filed before the Income Tax Appellate Tribunal (ITAT). The return for the tax year 2003 was selected for audit under section 177 of the Ordinance and the amended assessment order was passed, which has been contested before the CIT(A). The management is confident that the appeals will be decided in the favour of the Bank.
- 16.4 Tax liabilities for tax years 2004 to 2008 have been paid except to the extent of relief allowed by the CIT(A) for tax years 2004 to 2007.
- 16.5 In respect of Azad Kashmir Branches for the tax years 2005 to 2008 (financial years ended December 31, 2004 to 2007) were filed under the provisions of Section 120(1) read with section 114 of the Ordinance and in compliance with the terms of agreement between the banks and the Azad Kashmir Council in May 2005. The returns so filed qualify the statutory conditions to be termed as deemed assessment orders.
- 16.6 During the period, amendments were brought in through Finance Act 2009 regarding allowance of provision against non performing loans and off balance sheet exposures applicable from Tax year 2010 (accounting year Dec 31, 2009) and onwards. The Bank has accounted for these in the tax computation for the period, therefore, in accordance with the law, provision under the category of doubtful and loss category have been treated as allowed subject to a maximum limit of 1% of advances, consequently a deferred tax asset of Rs. 483 million is recognized relating to amounts allowed to be carried forward to future years. Based upon the legal opinion of the tax advisor, the Bank is confident that these disallowances and any relating to prior periods, which approximates to Rs.4,745 million, would be allowed to the bank in future periods against available profits and hence, the same has been carried forward as a tax asset in these interim condensed financial statements.

**17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

	For the Period Ended June 30, 2009					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
	(Rupees in '000)					
Total income	306,850	8,841,983	12,508,350	15,943,581	231,232	550,454
Total expenses	(392,874)	(6,595,413)	(9,189,805)	(14,654,029)	(150,176)	(505,726)
Net income / (loss)	(86,024)	2,246,570	3,318,545	1,289,552	81,056	44,728
Segment return on assets (ROA) (%)	7.58%	9.25%	11.75%	14.55%	19.14%	0.75%
Segment cost of funds (%)	12.36%	8.80%	9.67%	10.75%	9.00%	7.00%

	For the Period Ended June 30, 2008					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
	(Rupees in '000)					
Total income	602,597	6,671,587	14,471,009	8,072,949	287,662	98,916
Total expenses	(82,184)	(5,491,785)	(9,722,749)	(5,481,991)	(154,070)	(61,925)
Net income / (loss)	520,413	1,179,802	4,748,215	2,590,958	133,592	36,991
Segment return on assets (ROA) (%)	10.00%	7.30%	11.40%	10.70%	39.20%	3.50%
Segment cost of funds (%)	9.70%	7.20%	8.40%	8.50%	0.00%	8.00%

	As at June 30, 2009					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	6,520,433	194,366,953	226,220,903	244,443,093	423,594	5,962,904
Segment non performing loans (NPL)	-	-	19,379,005	16,302,261	-	-
Segment provision required against NPL	-	-	14,085,667	9,717,255	-	-
Segment liabilities	6,088,461	173,184,247	212,873,581	199,723,678	39,920	3,968,520

	As at December 31, 2008					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	9,294,445	180,443,382	200,402,439	243,854,770	455,567	4,357,311
Segment non performing loans (NPL)	-	-	16,827,840	12,073,489	-	-
Segment provision required against NPL	-	-	11,533,087	7,034,296	-	-
Segment liabilities	9,602,972	169,962,504	185,364,108	204,917,867	100,325	897,091

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**18. RELATED PARTY TRANSACTIONS**

- 18.1** The Bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans and its directors and executive officers (including their associates).
- 18.2** The Bank enters into transactions with the related parties in the normal course of business. Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

**18.3 RELATED PARTY TRANSACTIONS**

	For the half year ended June 30 , 2009			For the year ended December 31, 2008		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----						
<b>Advances</b>						
At January 01	148,875	-	-	80,592	-	-
Given during the period	22,032	-	-	135,743	-	-
Repaid during the period	(28,774)	-	-	(67,460)	-	-
At June 30, 2009	<u>142,133</u>	<u>-</u>	<u>-</u>	<u>148,875</u>	<u>-</u>	<u>-</u>
<b>Deposits</b>						
At January 01	20,149	147,701	308,347	14,252	231,886	5,865,116
Received during the period	364,975	8,324,834	678,261	543,947	44,273,279	2,034,774
Withdrawn during the period	(129,840)	(8,298,253)	(672,035)	(538,050)	(44,357,464)	(7,591,543)
At June 30, 2009	<u>255,284</u>	<u>174,282</u>	<u>314,573</u>	<u>20,149</u>	<u>147,701</u>	<u>308,347</u>
Outstanding borrowing at the end of end of the period	-	300,000	-	-	850,000	-
Other receivable	-	96,874	-	-	37,954	4,458
Other payable	-	6,209	-	-	164,932	-
Employee Motivation and Retention Scheme	-	-	413,546	-	-	338,552
Term Finance Certificate (sale) / purchased	-	-	-	-	1,898,783	-
----- (Rupees in '000) -----						
	For the half year ended June 30 , 2009			For the half year ended June 30 , 2008		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
Mark-up / return / interest earned	4,019	-	-	1,704	-	-
Mark-up / return / interest expensed	205	218,572	567	39	47,275	52,281
Reimbursement of liaison office expenses paid to Bestway Group and Abu Dhabi Group	-	-	12,042	-	-	19,325
Other expenses paid	-	-	-	-	112,778	-
Other income	-	6,701	-	-	962	-
Insurance premium paid	-	180,527	-	-	94,389	-
Remuneration paid	194,908	-	-	181,134	-	-
Post employment benefits	6,024	-	-	5,558	-	-
Contribution to defined contribution plan	-	-	287,672	-	-	126,172
Contribution to defined benefit plan	-	-	172,223	-	-	176,439
Employee Motivation and Retention Scheme	-	-	50,005	-	-	230,000
Borrowing made during the period	-	1,650,000	-	-	-	-
Borrowing settled during the period	-	1,350,000	-	-	-	-
Maximum amount of a borrowing made during the period	-	500,000	-	-	-	-
Investment made during the period	-	2,437,264	-	-	2,159,500	-
Redemption made during the period	-	-	-	-	5,273,039	-
Bonus units received	-	-	-	-	49,578	-
Realised gain on cross currency swaps	-	574,396	-	-	-	-
Unrealised gain on cross currency swaps	-	181,239	-	-	-	-

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**19. ISLAMIC BANKING BUSINESS**

The balance sheet of the Bank's Islamic Banking Branches as at June 30, 2009 is as follows:

	June 30, 2009	December 31, 2008
----- (Rupees in '000) -----		
<b>ASSETS</b>		
Cash and balances with treasury banks	143,397	259,264
Balances with and due from financial institutions	542,705	421,325
Investments	772,737	1,295,236
Financing and receivables		
- Murabaha	234,108	92,060
- Musharaka	250,000	250,000
- Diminishing Musharaka	275,158	127,850
Operating fixed assets including assets given on Ijara	695,602	848,086
Other assets	195,395	148,826
<b>Total Assets</b>	<b>3,109,102</b>	<b>3,442,647</b>
<b>LIABILITIES</b>		
Bills payable	3,492	24,838
Deposits and other accounts		
- Current accounts	406,925	464,204
- Saving accounts	224,527	270,276
- Term deposits	360,097	413,322
- Deposits from financial institutions: remunerative	363,048	844,455
Due to head office	1,253,414	1,145,380
Other liabilities	81,848	61,192
	<u>2,693,351</u>	<u>3,223,667</u>
<b>NET ASSETS</b>	<b>415,751</b>	<b>218,980</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	681,000	470,000
Unappropriated / unremitted loss	<u>(265,797)</u>	<u>(237,572)</u>
	415,203	232,428
Surplus / (deficit) on revaluation of assets	548	(13,448)
	<u>415,751</u>	<u>218,980</u>

The profit and loss account of the bank's Islamic Banking Branches for the half year ended June 30, 2009 is as follows:

	Jan-Jun 2009	Jan-Jun 2008
----- (Rupees in '000) -----		
Profit earned	241,625	134,150
Profit paid	<u>(58,638)</u>	<u>(40,559)</u>
	182,987	93,591
Reversal for diminution in value of investment	54,249	-
Provision against assets given on Ijara	<u>(2,178)</u>	<u>-</u>
	52,071	-
Net profit	<u>235,058</u>	<u>93,591</u>
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	1,179	914
Dividend Income	4,670	16,491
Income from dealing in foreign currencies	336	-
(Loss) / gain on sale of securities	(5,614)	6,931
Other income	568	32
Total other income	<u>1,139</u>	<u>24,368</u>
	236,197	117,959
<b>OTHER EXPENSES</b>		
Administrative expenses	155,943	142,307
Other charges	-	-
Total other expenses	<u>155,943</u>	<u>142,307</u>
Net gain / (loss)	80,254	(24,348)
Unappropriated profit brought forward	(346,051)	(156,130)
Unremitted loss	<u>(265,797)</u>	<u>(180,478)</u>
Remuneration to Sharia Advisor / Board	<u>1,101</u>	<u>2,467</u>

**20. DATE OF AUTHORIZATION**

These financial statements were authorised for issue on \_\_\_\_\_ by the Board of Directors of the Bank.